



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

COMMON AGRICULTURAL POLICY TO COVER 85 PER CENT OF EEC FARM PRODUCTION BY NOVEMBER 1

The EEC Common Agricultural Policy will be applied to rice beginning on September 1 and to beef and milk products beginning November 1, 1964. The inclusion of these commodities under the CAP will mean that 85 per cent of all EEC agricultural production will have been removed from national protection and placed in a Community program aimed at more efficient and economical production.

The EEC gross national product, at market prices, was about \$200 billion in 1961, of which more than 10 per cent -- about \$22 billion -- was agricultural production. Of the total \$22 billion, 60 per cent resulted from livestock alone, 21 per cent from arable farming, 13 per cent from horticulture and 6 per cent from wine-growing. Thus the inclusion of most livestock products under the CAP will boost its coverage significantly.

Grains, pork, poultry, eggs, and fruits and vegetables are already under the CAP. They account for about 50 per cent of total farm production. After beef and veal, rice and dairy products, the Community plans to complete the CAP with coverage of fats and sugar.

VALUE OF FARM PRODUCTS NOW UNDER EEC AS
PER CENT OF TOTAL 1958-59 PRODUCTION

	Bel.	Fr.	Ger.	It.	Lux.	Neth.
Grains	8.9	9.1	8.5	20.8	11.7	4.8
Fr-Veg.	14.6	11.6	8.3	20.4	--	10.5
Wine	--	13.0	1.8	12.8	6.9	--
Pork	12.2	11.1	24.0	4.3	22.9	14.2
Poult.	3.1	6.3	1.3	3.0	--	2.6
Eggs	8.8	4.3	5.4	5.1	5.9	10.4
Total	47.6	54.4	49.3	66.4	47.4	42.5

BUTTER PRICE SYSTEM COMPLETED

An important step making possible the inauguration of the common dairy market on November 1 is the adoption of the price support system for butter. The EEC Council approved this system in May.

The dairy market will be controlled to a great extent by the butter support system. This system will fix the time, the price and the conditions under which butter can be withdrawn from the market and placed in stock by both private and public agencies.

Levies on intra-Community trade in butter will be based on the price of the "best" butter. The Council agreed that this should be butter "consisting by weight of not less than 82 per cent fat, not more than 16 per cent water and not more than 2 per cent non-fatty dry substances contained in milk, and complying with the regulations on home-produced best butter in force in the country of origin." This definition is to be valid only for the first two years of the common market for dairy products. A question yet to be finally settled is whether only butter based on pasteurized cream is "best," as the German government prefers, or whether other characteristics may be taken into account.

BEEF AND VEAL PRICES ANNOUNCED

In a step necessary for the implementation of the beef and veal regulations, the member states have been informing the EEC Commission of their target prices for the current season. It will be recalled that the limits for full-grown beef are \$58.75 per 100 kg (220 lbs.) and \$51.25. The limits for veal are \$86.25 and \$76.25.

All the prices thus far announced fall well

within the limits. This means that the member states have been willing to align their prices even more than is presently required and have taken an important step toward the ultimate setting of single prices for beef and veal.

BEEF AND VEAL TARGET PRICES (per 100 kg)		
	Beef	Veal
Belgium	\$56.00	\$78.00
France	55.25	81.00
Germany (FR) est.	56.50-57.00	?
Italy est.	56.00	?
Luxembourg	57.75	85.00
Netherlands	55.00	78.75

Single Feed Grain

Conversion Factor for Eggs

Is First Uniform Farm Rule

In Effect

The EEC Council has set a single feed grain conversion factor for egg production in all Community countries. This factor determines the amount of feed-grain necessary to produce one kilogram (2.2 lbs.) of eggs in the shell.

An annual yield of 205 eggs per breeding hen with 80 per cent pullets was used in calculating that one kg. of eggs would require 3.22 kg. of feed.

The EEC egg regulation requires that a single conversion factor be applied to all six countries at the beginning of the third year of the Common Agricultural Policy for eggs. The new factor has been applied since July 1.

During the first two years under the egg regulation, the conversion factor had been set for each of the member countries. These countries were to use the two years to bring their poultry farming up to the level of the most efficient producers. In order to align the conversion factors it was necessary to align both the average annual egg yields and the pullet percentages. For the period November 1, 1963-June 30, 1964, the following national figures were set:

	Annual Yield	% Pullets	Factor
Belgium	190	74	3.38
France	175	66	3.57
Germany (FR)	179	69	3.52
Italy	171	63	3.62
Luxembourg	176	67	3.55
Netherlands	205	80	3.22

The EEC Commission has said that rapid technical progress has made even the 205 egg yield out of date. It found that most farmers concentrate on breeding hens with

an annual yield of 240-250 and now aim at a pullet percentage of 85. The Commission recommended that the Community conversion rate be set at 215 eggs and a pullet percentage of 85. The uniform factor would have been 3.13 kg. of feed. The Commission pointed out that by setting the factor too high, the Council could slow imports from non-members.

OTHER DEVELOPMENTS IN EGG TRADE

The Council decided to apply the Commission factor starting March 31, 1965. In the meantime, the slightly higher factor will be used. As a result of the Council decision, the intra-Community egg levy has been cut one cent and the levy on imports from non-members has been reduced 1.75 cents.

The surcharge on poultry eggs in shell has been reduced from 20 cents to 15 cents per kg. Current offer prices from non-member countries no longer justify the 20 cent surcharge, according to the Commission. This reduction is in addition to the change in the levy resulting from the new feed-grain conversion factor.

The regulation lowering the surcharge on eggs in shell was published in the Official Gazette of the European Communities on July 14 and became effective on July 17.

The Commission has also decided to impose a surcharge of 12.5 cents per kg. on the levy on imports from non-member countries of eggs not in shell, for use as food, fresh preserved or sweetened (heading ex 04.05 B I of the Common External Tariff) and to increase the surcharge on dried egg yolks from 12.5 cents per kg. to 20 cents.

Offer prices for these products from outside the Community had fallen below the sluice-gate price. The Commission increased the surcharges because this situation was expected to continue.

The two regulations were published in the Official Gazette on June 26 and became effective on June 29.

AGRICULTURAL PUBLICATIONS FROM THE EUROPEAN COMMUNITY

The following publications are available free from the European Community.

- Three lectures by Dr. Hans-Broder Krohn, Director, Agricultural Economics, EEC Commission, delivered April 1964 at Kansas State University:

The Rationale of the Common Market
Agricultural Trade and the Common Market
The Future of the Common Market.

- July 1964 issue of European Community with texts of statements on agriculture in the Kennedy Round issued by the American Farm Bureau Federation and the International Federation of Agricultural Producers.

EEC FARM EXPERT DISCUSSES COMMON POLICY

Speaking at Kansas State University in April, Dr. Hans Broder-Krohn, EEC Director of Agricultural Economics, discussed the possible evolution of the Common Agricultural Policy and its effects on the United States. The complete texts of his lectures may be obtained from the European Community Information Service (see page 2).

Excerpts follow:

"With regard to the common agricultural policy we should clearly distinguish three things:

- "(a) Is its aim agricultural autarky for EEC?
- "(b) Does it offer European agriculture reasonable protection?
- "(c) Could it lead - almost despite what is intended (as a by-product) - to complete self-sufficiency in food-stuffs?

"The first assumption - that agricultural autarky is the aim of the EEC and its agricultural policy - can be excluded from the discussion. This would be in flagrant contradiction with the Treaty of Rome and with what political leaders have stated over and over again. It would also run counter to the economic interests of the Community as an exporter of industrial products.

"The second point is based on the assumption that European agriculture has a claim to reasonable protection against the other suppliers on the world market. Agricultural protection is a worldwide fact. I have, however, spoken of reasonable protection. If, for instance, we would set the common EEC threshold price for imported wheat at \$2.86/bu., this would be 17% above the price at which a farmer in the Middle West of the United States can offer his wheat in Rotterdam. This calculation is based on a support price of \$2.00/bu., and takes into account transport within the USA (so far as there are no freight-restitutions) and transatlantic freights, but not export subsidies.

"But to justify a reasonable agricultural protection in EEC I must put forward another argument. Yesterday, I spoke of the defects in the structure of Europe's agriculture and of the resulting low labor productivity. In this connection I pointed to the dynamic process of development which our agriculture is going through and to the help which it receives from the States and

the Community. I would now like to say something about the historical background of these defects.

"In some states farmers were for several generations made to feel that their first duty was to feed the nation in time of war, and that economic considerations and cost calculations took second place to the 'national task.' No wonder that such an agriculture, in view of its structure and the mentality of its farmers, is not in a position to cope with wider competition. We cannot however make the present generation of farmers responsible for the fact that because of the State's power politics in former times their competitive capacity has lagged behind. It is an obligation for society to help this agriculture progressively to find its place in the industrial society of the twentieth century, with its worldwide ramifications.

"If we accept the principle that reasonable agricultural protection in the framework of the common agricultural policy is justified, we are faced by the third question of whether this might not, (almost despite what was intended), lead to full EEC self-sufficiency in food.

"I am prepared to say firmly that this need in no way be so if EEC follows a reasonable farm price policy. But the onus of proving this lies with me. In so doing I can call on the results of scientific projections. . .

"We can draw the following conclusions from these projections:

- "(1) Because of the well-known factors to be noted in the production and consumption of farm products in all advanced countries, the cereals import requirement of the EEC Countries has a long-term decreasing tendency.
- "(2) Provided a cautious price policy is followed in the cereals sector, the effect of integration on economic growth, consumers' incomes and consumption makes it possible to maintain an import requirement of 10 million tons (tonnage figures in metric tons).
- "(3) Within this total import requirement of 10 million tons of cereals, shifts will occur. Wheat imports will be concentrated on special qualities required for mixing on technical grounds. There will be an increase in imports of feed grain for livestock production. I should point out that this means that grain can be imported into the Community either as raw material or

as livestock products (such as broilers), but surely not two times.

- "(4) Whether this forecast is actually borne out, depends very materially on the common cereals price not leading to expansion of the area under cereals.

"Our problem is that the agricultural policy of the Member States in the last ten years had stabilized the price of wheat in different levels. So the highest producer-price (1962/63) for wheat at the moment of Common Market coming into force was \$2.95/bu., the lowest price \$2.25/bu.

"We must find an EEC price within this range. There is no need to tell you what economic, commercial and political factors are at work in this connection in the Community.

"The solution of the problem is made more difficult by the fact that France, the state with the lowest prices, still has reserves to mobilize for grain-production which are estimated at 1.5 million hectares. If these should be brought under cereals, the Community's import requirements would fall by 2-4 million tons.

"I should like to make it clear that we do not believe that it is possible to reduce cereals production through price policy. In raising the French grain price - and it must be raised in the framework of a common price policy - we wish, however, to avoid passing the point at which the area still unused is brought under cereals. For, as pointed out, this could lead to a fall in net imports.

"After thorough investigation into the possible reaction of French farmers, the Commission has proposed a wheat price in the French wheat-growing areas of \$2.75/bu. This corresponds to a price of \$2.90/

bu in Rotterdam when inner-European transport costs are taken into consideration.

"It is not only as an academic exercise that I refer, here in the heart of the wheat belt, to the anxiety of EEC that outlets for cereals from non-member countries might decline if EEC were to mobilize the reserve acreage in France by providing too large a price incentive. You will find, in all political documents of the EEC Commission and in all political speeches, in particular by Vice-President Mansholt, a demand that this point be given due consideration. We are in fact convinced that a cautious price policy, which ensures that there shall still be genuine commercial outlets for imported cereals, is in the long run the surest guarantee of access to the EEC market which we can offer the exporting countries. Naturally, price policy must be regularly reviewed to see whether it takes sufficient account of these requirements.

"On the other hand, import quotas and obligations to purchase fixed quantities are short-sighted solutions which only cover up the real problem for a while. Such undertaking would mean a step backward into state-trading practices; they would hamper the absolutely necessary fitting of our agriculture into the total economy. If the Community stimulates internal production through a policy of high prices to the point where it produces all the cereals it requires, or even has surpluses to export, guaranteed gross import quantities would again appear (in some other form) on the world market. This is no help to the importing countries which must subsidize these artificial sales, even less to the exporting countries, whose outlets in other markets would be reduced, and least of all to the ordered conditions which we are all striving to establish in the world grain economy."

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